

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Southern California Edison Company (E 3338-E) for Authority to Institute a Rate Stabilization Plan with a Rate Increase and End of Rate Freeze Tariffs.	Application 00-11-038 (Filed November 16, 2000)
Emergency Application of Pacific Gas and Electric Company to Adopt a Rate Stabilization Plan. (U 39 E)	Application 00-11-056 (Filed November 22, 2000)
Petition of THE UTILITY REFORM NETWORK for Modification of Resolution E-3527.	Application 00-10-028 (Filed October 17, 2000)

**ASSIGNED COMMISSIONER'S RULING
REGARDING MARKET VALUATION**

In the context of Assembly Bill (AB) 1890 (Stats. 1996, Ch. 854), Public Utilities Code Section 367(b)¹ states that for those generation-related assets that the Commission determines to be transition costs and that are subject to valuation, "the valuation used for the calculation of the uneconomic portion of the net book value shall be determined not later than December 31, 2001, and shall be based on appraisal, sale, or other divestiture."

¹ All statutory references are to the Public Utilities Code, unless otherwise referenced.

On January 18, 2001, Governor Davis signed AB 6 of the First Extraordinary Session (AB 6X, Stat. 2001-02, Ch. 2). AB 6X fundamentally changes many of the principles embedded in AB 1890 regarding the regulation and divestiture of generation assets owned by the utilities. For example, AB 6X amends Section 377 to explicitly delete any reference to market valuation and instead states that the Commission's regulatory authority continues "until the owner of those facilities has applied to the Commission for disposal of the facilities and has been authorized by the Commission under Section 851 to undertake that disposal." Furthermore, Section 377 now requires that "no facility for the generation of electricity owned by a public utility may be disposed of prior to January 1, 2006. The commission shall ensure that public utility generation assets remain dedicated to service for the benefit of California ratepayers."

On October 25, 2001, the Commission issued Decision (D.) 01-10-067. This decision addressed the market valuation proposal of Pacific Gas and Electric Company (PG&E) for determining a revenue requirement for its utility retained generation assets. While this decision determines that market valuation is not necessary for determining ratemaking practices for URG assets and does not address market valuation in terms of determining uneconomic cost recovery, it does provide a succinct description of the impact of AB 6X on various Public Utilities Code sections added by AB 1890:

In addition, recent legislative actions confirm that market valuation is to be used only for the purpose of uneconomic cost recovery, not in determining a URG revenue requirement. ABX1-6 (Ch. 2, Stats. 2001, special session 1) eliminates market value as a factor influencing the ratemaking treatment for URG in the context of the continuing regulation as required by Section 377. As amended by ABX1-6, Section 377 provides that the URG assets continue under

traditional Commission regulation until the Commission has authorized some other disposition of the assets pursuant to Section 851 and, in any event, at least until January 1, 2006. Section 377 does not authorize the market valuation procedure proposed by PG&E.

The amendments to Sections 216, 330 and 377 effected by ABX1-6 share a common characteristic. Each deletes reference to “market valuation” as one of the factors affecting the Commission’s continued regulation [of] URG. (D.01-10-067, mimeo. At p. 9.)

Pursuant to the Commission’s authority under various Code sections, including but not limited to Sections 451 and 701, I intend to recommend to my colleagues that the requirement to value generation-assets subject to valuation by December 31, 2001 has been superseded by AB 6X. Parties shall file and serve comments addressing this issue by January 15, 2002. Reply comments shall be filed and served by January 25, 2002.

Therefore, **IT IS RULED** that:

1. By January 15, 2002, parties shall file and serve comments on the proposal that AB 6X supersedes the requirement of Section 367(b) that valuation of certain assets subject to valuation must occur by December 31, 2001. The previously established protocols regarding electronic service and mail service shall apply. Parties shall also provide me with an electronic copy at lyn@cpuc.ca.gov.

2. A copy of this ruling shall be served on parties of record in Application (A.) 99-09-053, A.00-05-027, A.00-05-029, A.00-05-030, A.00-05-032, A.00-03-033, A.00-05-034, and A.00-05-035.

Dated December 21, 2001, at San Francisco, California.

/s/ LORETTA M. LYNCH

Loretta M. Lynch
Assigned Commissioner

CERTIFICATE OF SERVICE

I certify that I have by mail, and by electronic mail to the parties to which an electronic mail address has been provided, this day served a true copy of the original attached Assigned Commissioner's Ruling Regarding Market Valuation on all parties of record in this proceeding or their attorneys of record and Application (A.) 99-09-053, A.99-12-024, A.00-05-026, A.00-05-027, A.00-05-029, A.00-05-030, A.00-05-032, A.00-03-033, A.00-05-034, and A.00-05-035.

Dated December 21, 2001, at San Francisco, California.

/s/ KRIS KELLER

Kris Keller

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

If specialized accommodations for the disabled are needed, e.g., sign language interpreters, those making the arrangements must call the Public Advisor at (415) 703-2074,

A.00-11-038 et al. LYN/k47

TTY 1-866-836-7825 or (415) 703-5282 at least three working days in advance of the event.